

April 30, 1999

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Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

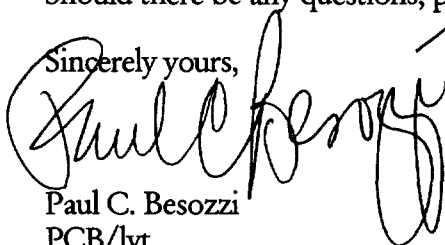
Re: Ex Parte Filing - CC Docket No. 98-141

Dear Ms. Salas:

In accordance with Section 1.1206 of the Commission's Rules, I hereby enclose two (2) copies of a written ex parte presentation provided to Chairman William Kennard electronically on April 29, 1999 in connection with CC Docket No. 98-141 on behalf of Supra Telecommunications & Information Systems, Inc.

Should there be any questions, please contact the undersigned.

Sincerely yours,



Paul C. Besozzi
PCB/lyt

Enclosures

No. of Copies rec'd 07
List A B C D E

From: Thomas Siebert on 04/29/99 05:39 PM

Sent by: Michael Greto

To: wkennard@fcc.gov

cc: (bcc: Paul Besozzi)

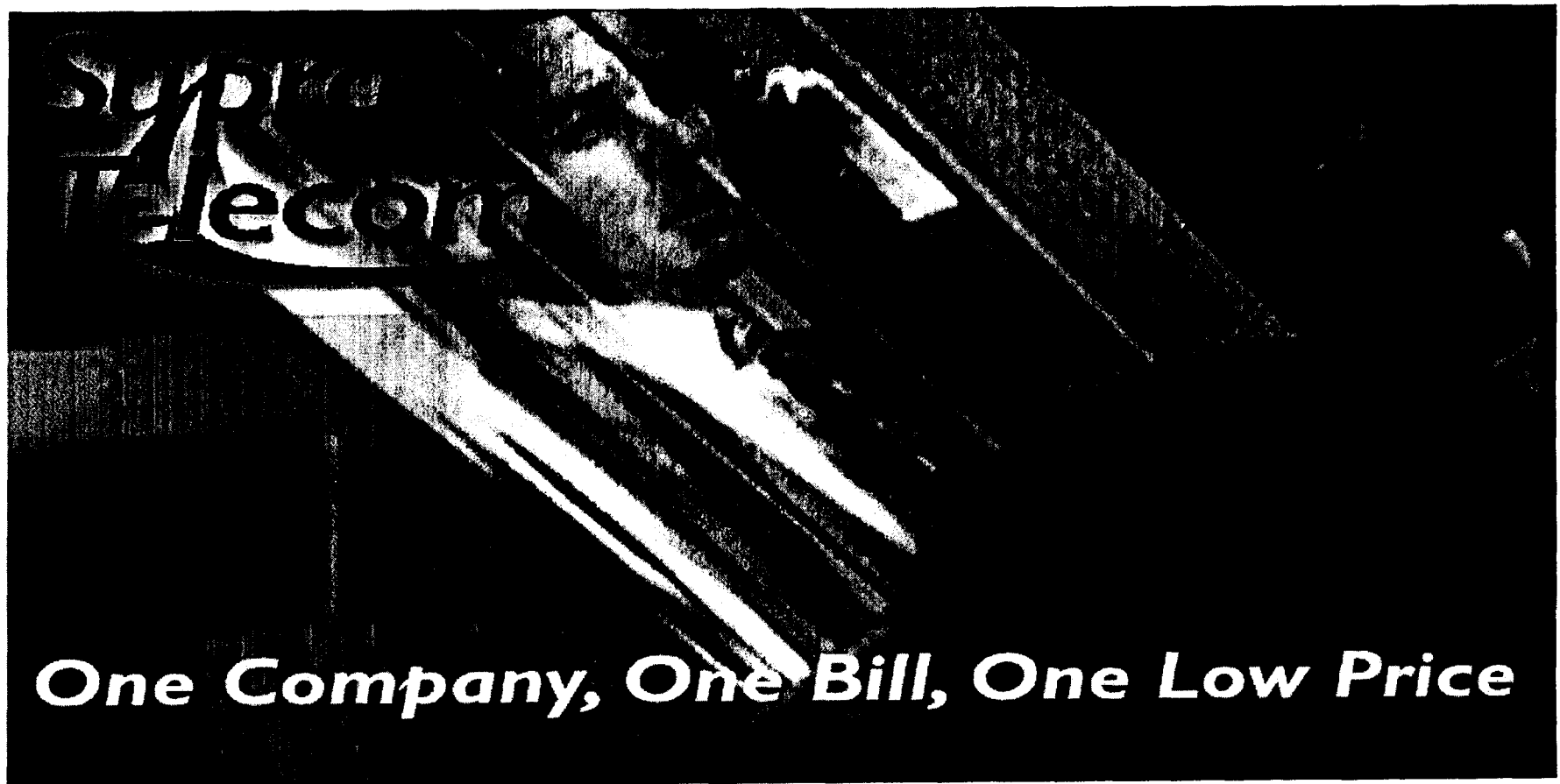
Subject: Supra Telecom Proposal on Local Competition

Dear Bill:

I am attaching a presentation made to your Common Carrier Bureau staff concerning a proposal by our client, Supra Telecommunications and Information Systems, Inc., in connection with your consideration of the SBC/Ameritech and Bell-Atlantic/GTE mergers and possible conditions thereon. I believe you have met Kay Ramos, Supra's energetic CEO, who earlier this week made a similar presentation at a telecommunications policy forum in Boston organized by Congressman Ed Markey that I understand you attended. I believe that Supra has hit on an idea that will help seed genuine competition in the local exchange market, which, as you know, has progressed very slowly in the 3 years since the 1996 Act. I would urge you to give serious consideration to this proposal, which of course can be refined to ensure that its procompetitive aims are achieved. At your convenience, I would welcome the opportunity to visit with you on this matter.



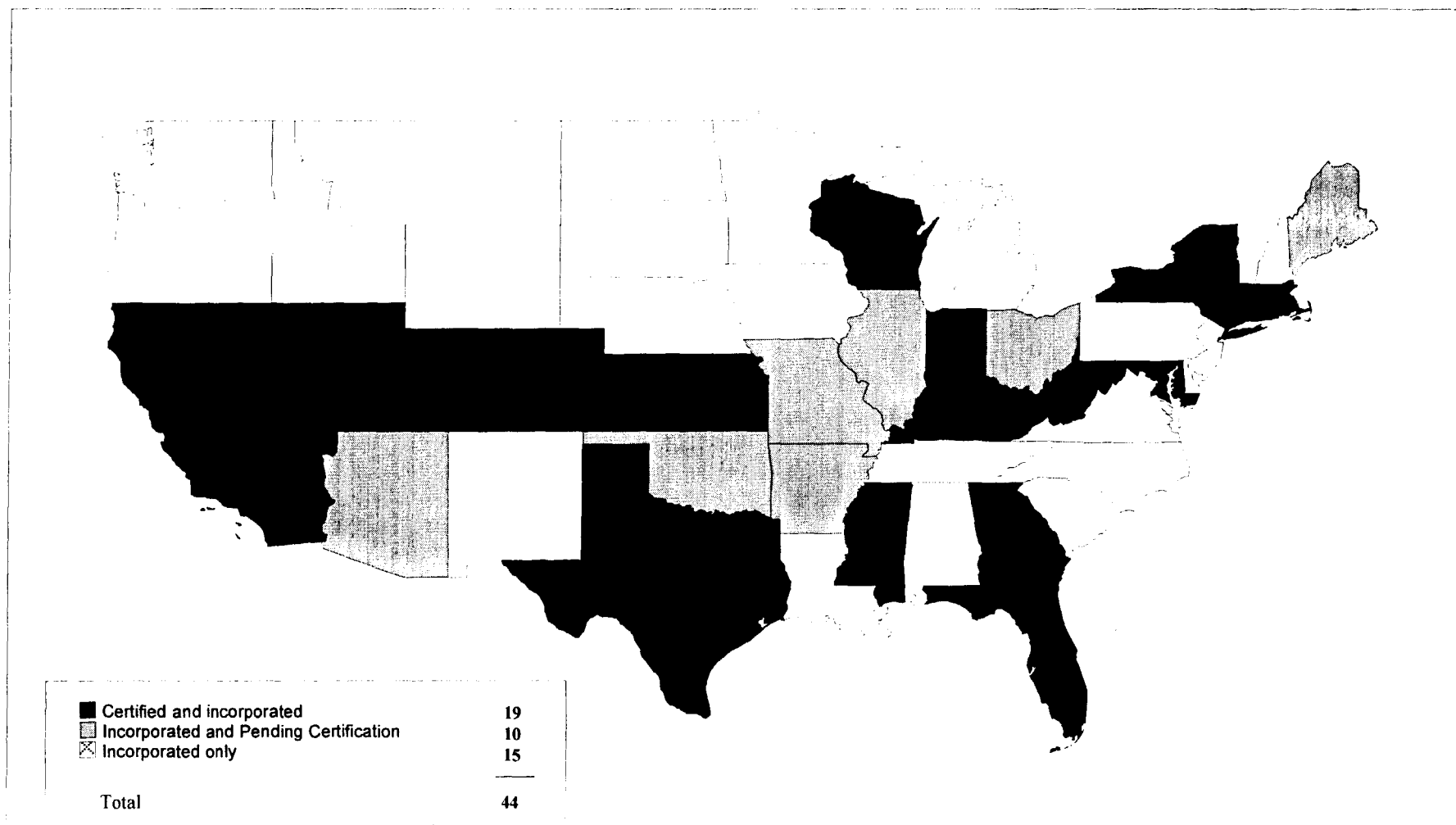
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**A PROPOSAL FOR TRUE
LOCAL COMPETITION**

Supra Is An...

➡ **Integrated Carrier offering : Local, Long Distance and Internet**



Supra's Focus.....

A Commitment to Serve the Consumer Market

Consumer Market (1-6 Lines)

Accounts for over 80% of the Nation's Access Lines

Residence (60%)
Small Business (20%)

Currently served only by ILECS

Broad Aims Of The 1996 Act

INTERCONNECTION

**LOCAL
LOOP**

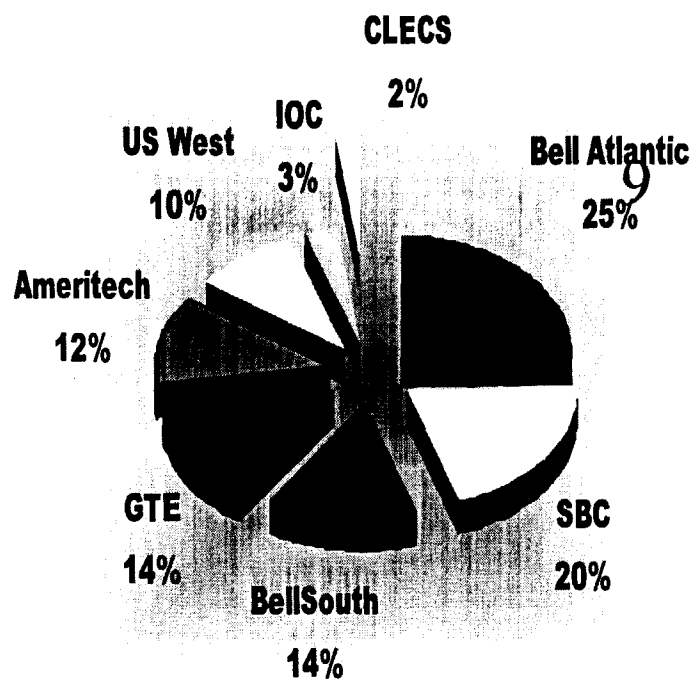
COMPETITION

OS

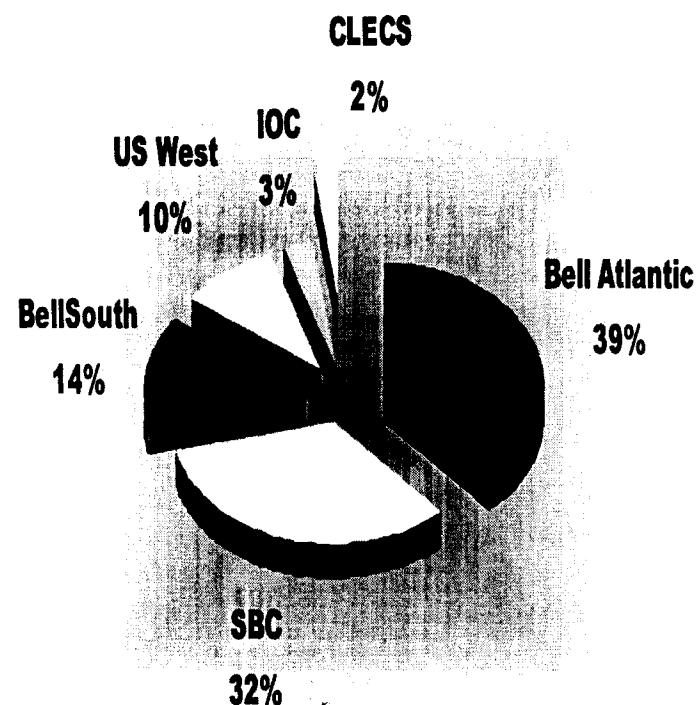
COLLOCATION

Scorecard 3 Years After The 1996 ACT COMPETITION ?!?

Before the Merger



After the Merger

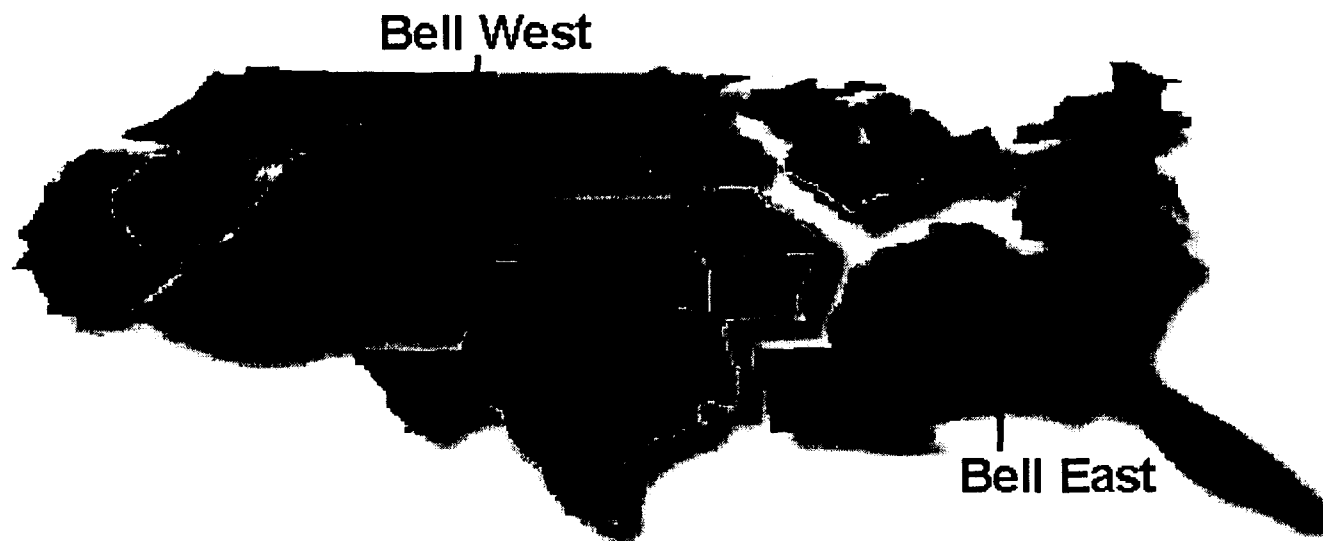


* 1998 Plant Investment ILECS \$ 170.0 B (85%) and CLECS \$ 30.0 B (15%)

[REDACTED]

RBOC Definition After Future Round of Mergers

“Consolidation of all Bell Companies into a single company”*



***Bell Atlantic-Nynex June 23,1997 (Declaration of William F Baxter)**



ROAD BLOCKS TO TRUE LOCAL COMPETITION

- Resale margins too low to permit development of solid competitive foothold.
- Unbundled network element offerings left uncertain by continued litigation by ILECS over availability and price.
- Continued ILEC foot-dragging on back office services necessary to truly compete, particularly on a residential level.
- Continued ILEC consolidation can only exacerbate the obstacles to competition.



PROPOSED MERGER CONDITION ----- DIVESTMENT OF CENTRAL OFFICE ASSETS

◆20% of the merging companies' central offices (COs), together with the corresponding local loops which tie into those COs and various/support assets. COs would be evenly distributed, so that recipients of the divested assets could not cherry pick business or urban assets.

◆Divestment must include customer service support and OSS access.

◆Bilateral interconnection agreements enabling CLECs and ILECs to collocate in each central office.



Benefits of the Proposal

- Secures lower rates for residential customers as a result of competition.
- Secures CLECS access to the "Last Mile" to residential customers.
- Requires the sharing of OSS and underlying databases, thus loosening ILECS grip on this important aspect of the telecommunications business.
- Provides ILECS incentives to open up non-divested central offices: Collocation, UNES and Interconnection.
- Creates competitive landscape of facilities-based companies within miles of each other.
- Realizes the broad aims of the Telecommunications Act of 1996.

Divestiture proposal promises what has not been possible through regulation or deregulation: true competition in the local phone market that will lower rates and speed deployment of advanced services to consumers.



CENTRAL OFFICE SELECTION CRITERIA

- Even distribution throughout each merging companies' region.
- Same proportion of rural and urban offices as currently exists.
- Same proportion of tandem and non-tandem offices as currently exists.
- Same proportion of tandem and rural/urban offices as currently exists.
- A formula whereby ILECS would be allowed to protect a portion of their central office assets in each area code. CLECs would then choose assets from the remaining unprotected portion.
- At least one central office in each area code.

PRICING OF THE CENTRAL OFFICES

PRICE: The price is the sum of the rates of the following elements, adjusted by the factors listed below the elements, with results audited by an accounting firm:

ELEMENTS:

- ⇒ Access lines in service
- ⇒ Access lines not in service
- ⇒ Real estate
- ⇒ Income stream

FACTORS:

- ⇒ Technical quality of the assets
- ⇒ Physical quality of the assets
- ⇒ Age of the assets
- ⇒ Dollar value per access line
- ⇒ Analog/digital
- ⇒ Trunking factor
- ⇒ SS7 capability
- ⇒ Whether ownership of the real estate is by lease, or fee simple
- ⇒ TELRIC



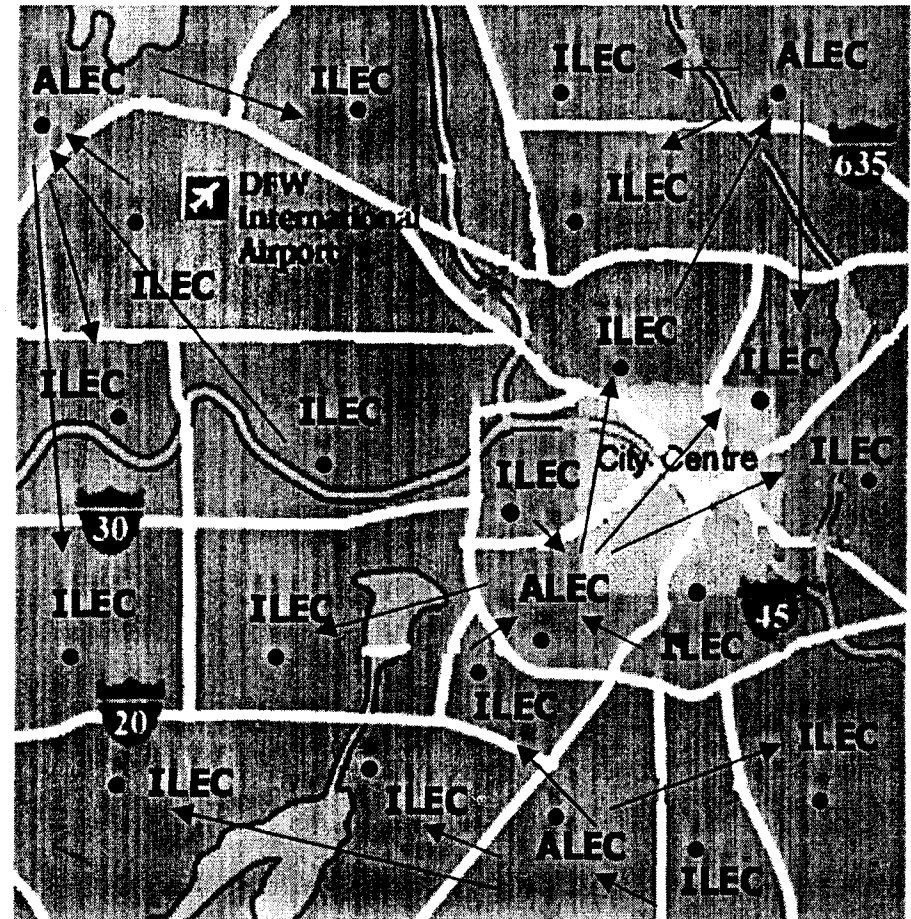
Eligibility Criteria For Recipients of Divested Central Office Assets

- Serve the residential consumer market.
- Hold onto central office assets for a specified period of time (e.g. 10 years).
- Benefit consumers immediately by reducing rates for all services by 20%.
- Deploy advanced services rapidly to consumers.
- Provide non-discriminatory, reasonable interconnection.
- Compete outside of recipient's central office assets.
- Maintain the financial qualifications necessary to operate the central office assets.

Benefits of Proposed Divestiture

Divestiture Would Create a Two-Way Street:

- ILECS would have incentives to provide CLECs with favorable terms for interconnection
- CLECs will have incentives to compete as they would not be able to keep competitors out of their central offices because they would have limited resources to engage in the types of stone walling tactics of the ILECs



The Greater Dallas Area



CONCLUSION (1)

- The FCC and State Regulators Have An Historic Opportunity to Open the Local Phone Market to Competition By Requiring ILECs to Divest a Portion of Their Central Office Assets.
- Competition From Divestiture of Central Office Assets to Competitive Providers Will Bring Consumers Lower Rates and the Rapid Deployment of Advanced Services.
- Three Years After Enactment of the 1996 Act, the FCC Has One Final Chance to Fulfill the Mandates of the Act by Bringing Competition to Local Phone Market.



CONCLUSION (2)

Only facilities-based competitors will ultimately break the ILEC monopoly on residential marketplace, yet CLECs do not have the right regulatory incentives and security to build their own facilities.

The quid pro quo for continued ILEC consolidation must be seeding of genuine competitors through divestiture of central office assets.